



**AUDIT AND RISK ASSURANCE COMMITTEE
CONFIRMED MINUTES**

Date: 22 March 2023

Venue: By videoconference

Clerk to the Corporation
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Sheffield, S2 2RL
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Present: Ian Falconer (Chair)
Matt Ainsworth, Governor
Sol Miah, Governor
Saleem Rashid, Staff Governor
Paul Senior, Governor (until 09.00)

In attendance: Angela Foulkes, Chief Executive and Principal
Martin Harrison, Executive Director Finance (EDF)
Andrew Hartley, Executive Director Commercial and Operations (EDCO) attended for items 1-4 only
Mark Pearson, Executive Director Strategy and Systems Improvement (ED SSI)
Alison Shillito, Governance Advisor and Clerk to the Governing Body (Clerk)
Beth Smith, Executive Assistant (Note taker)
Lisa Smith, Internal Audit Senior Manager, RSM
Anna Leng, Executive Assistant (observer)

**Action
by whom by when**

23/1/1 Welcome, introduction and apologies

- 1.1 The Chair welcomed Paul Senior to his first meeting since his appointment to the committee. Paul gave apologies that he had to leave the meeting at 09.00 for pre-arranged Health & Safety training connected to his role as link governor. The Chair also welcomed Anna Leng a member of college staff who was in attendance for staff development.
- 1.2 It was noted that the meeting had been moved online as the Clerk was isolating at home and meeting by videoconference reduced the risks of a hybrid meeting.
- 1.3 The meeting noted apologies from Solat Chaudhry, a recently appointed member of the committee who had travelled to Sheffield for the meeting and was not able to get online.

23/1/2 Declaration of interest

- 2.1 The committee noted the standing interests of

- Saleem Rashid as a member of college staff.
- Paul Senior as a trustee of Sheffield Wednesday Football Club Community Programme, a college subcontractor for 16-18 students.

There was no action required on any agenda items.

23/1/3 Minutes of the last meeting

- 3.1 The committee confirmed the minutes of the meeting held on 23 November 2023, including the joint meeting with Finance, Employment and General Purposes Committee (FEGP).

23/1/4 Matters Arising and Action Record

- 4.1 The committee agreed that all relevant matters arising had been added to the Action Record and considered the matters arising that were not covered elsewhere on the agenda.

Minute 22/3/7, ONS reclassification

- 4.2 Since the last meeting, ONS had reclassified colleges as public sector bodies. This had several implications for risks on the Strategic Risk Register. The External Auditor gave an overview of the immediate implications including:
- colleges would be required to comply with Managing Public Money, certain transactions would require HM Treasury consent depending on the limits set for government.
 - the Department for Education (DfE) had issued a letter to Accounting Officers with immediate changes and signalled its intention to publish a Colleges Financial Handbook in April 2024
 - there could be a move to require colleges to align their financial year with the government financial year or require additional accounting returns for the public accounts.
- 4.3 The Executive Director Finance said that the action taken to date was to review and update the Financial Regulations to note the areas and thresholds where HM Treasury consent was now required. The most immediate implication for the college was a loan maturing in July 2023 that the college had planned to roll forward for a further three-year term. The DfE had published a process for colleges to apply for permission to revise the terms of loan agreements but the letter to Accounting Officers indicated that the DfE would be unlikely to approve new bank loans. The college would be applying for permission to renew its current loan facility but there might be pressure to repay the balance from reserves. The college's reserves were ear marked for investment in the Estates Strategy and therefore being required to pay down this loan would have a negative impact on the plan for developing new facilities to meet local skills needs. This was addressed on the Strategic Risk Register.

The Committee agreed that there was no need to change the Internal Audit Plan for 2022-2023 due to reclassification, noting that the draft plan for 2023-24 would have regard to the implications of reclassification and additional compliance issues.

The committee agreed that this action was completed. New action, as required would be noted under relevant items on the agenda.

Minute 21/4/12.3 refers: Cladding

- 4.4 The Executive Director Commercial and Operations (EDCO) presented a report on further investigations into the composition of building cladding and the fire safety measures in place to manage the risks. The report assured the committee that the fire evacuation and controls in place would enable complete evacuation of the buildings quickly and there was no foreseeable risk to human safety if the materials were more combustible than marked.
- 4.5 During the exercise it was noted that the Grenfell Inquiry had cast doubt over the accuracy of the published fire ratings for some building materials. The college was commissioning a built environment engineer to review the latest information on the combustibility of the materials used in the cladding system for college buildings above 18m high. The review would consider compliance with the latest building regulations as well as the new information made available by the Grenfell Inquiry. The findings would enable a more accurate appraisal of the fire risks of external walls.
- 4.6 The committee welcomed the assurance that the college's current fire controls were appropriate for evacuating the building in the event of a fire. The committee supported the college's proactivity in updating its information for future fire appraisal of external walls using the latest information. It was noted that the report would be made to FEGP Committee in June 2023. The committee agreed that the action raised by ARAC was closed.
- 4.7 **Minute 21/2/4.4: control environment for an outstanding college**
- It was noted that a report on cash handling controls was presented to this meeting. A self-assessment on data quality and the processes for preparing the Individualised Learner Record was planned for the July meeting. With the confirmation of the forward plan for the remainder of the year, this action was agreed as completed.
- 4.8 The committee welcomed the update, noted the assurance that the college is addressing actions raised by the committee and approved removal of completed actions from the Action Record.

23/1//5 Strategic Risk Register 2022-23 update

5.1 Changes to the Strategic Risk Register (SRR)

Mark Pearson, Executive Director Strategy and Systems Improvement (ED SSI) introduced the report highlighting the changes to the Strategic Risk Register (SRR) since the last meeting. The changes were a result of

the regular review of strategic risks by risk owners and consideration by the Executive Leadership Team (ELT) in business review and team meetings.

5.2 The committee considered the changes noting that there were no new strategic risks, one inherent score had reduced due to changing circumstances and two residual scores reduced because of the impact of risk management measures. The committee endorsed the changes to the Strategic Risk Register, welcoming that the college had implemented the Internal Audit recommendation that risk owners now positively confirmed where there were no changes.

5.3 Covid risks

A member asked about the risk and impact of the increasing number of Covid-19 cases in the community. The Executive Director Commercial & Operations (EDCO) said that the college was continuing to implement actions to mitigate the spread of the virus in the college including encouraging people to isolate if they felt unwell or tested positive for Covid-19. The college had retained the capacity for home working and remote learning and thus far there had not been any significant issues due to Covid-19.

5.4 Risk Assurance Summary

The EDSSI presented the updated risk assurance summary commenting that the ELT was reviewing the summary monthly.

5.5 The committee considered the assurance summary, and the main issues discussed were as follows.

- **Purpose of summary** had originally been to focus on the college's highest risks. Governing Body members were more likely to engage with the summary rather than the detailed register so it was important for the summary to represent the college's risk profile.
- **Health and Safety risks**, the committee agreed that although not one of the college's highest risks by scores, for completeness, Health and Safety should be included in the Risk Assurance Summary.
- **Pension risks**, this was referenced in the risk of inflation and increasing costs but it would be useful to see this risk in full
- **Debt risk**, with a loan maturing in July 2023 and reclassification potentially complicating the renewal process, the External Auditor asked if this should be highlighted on the summary. The EDF said that the renewal was being well-managed with regular engagement with banks to protect the college's compliance with its loan covenant. The college had received additional capital monies. The timing of the capital receipts would potentially have an impact on bank covenants. The committee was satisfied that the loan position did not need to be flagged on the summary.

ACTION update the Risk Assurance Summary to reflect the views of the Clerk 30/5/23 committee.

- 5.6 The committee noted the changes to Strategic Risk Register. Members recommended changes to the Risk Assurance Summary to assist other governors in understanding the college's risk profile. The committee agreed that it was satisfied that its assurance plan continued to be appropriate to the risks.

23/1/6 Internal Audit and External Audit update: recommendations and management actions, progress report

- 6.1 The EDF presented the report, commenting that completion of some actions had been delayed due to recruitment issues in the Finance Team. There was a request for six deadlines to be rescheduled, none of which were high risk recommendations.

- 6.2 The committee considered the report and the main issues discussed were as follows:

Delay to completion, a member asked if there were any bottlenecks to progress due to the delay in completing actions. The EDF said that progress was being made on all the actions that were in progress but this was a developing area and there was a tendency to expand the scope of recommendations as practice developed. The extensions requested would not cause knock-on effects on other work.

External Audit actions, the EDSSI assured the committee that student records staff were using the recommendations to self-assess more widely against best practice and make improvements to the processes for preparing and quality assuring the Individual Student Record. A summary of the work on continuous improvement would be brought to the next meeting.

- 6.3 The committee noted the report and approved the removal of completed actions and the revised date for completion of six actions, as requested in the report.

23/1/7 Internal Audit progress report

- 7.1 The Internal Audit Senior Manager presented the progress report. It was reported that work on the Exams IAR, which had been due to come to this meeting, had been deliberately delayed at the college's request to allow managers to focus on preparing data for Ofsted. The final Exams IAR report and the draft Performance Management report had been issued to management. Otherwise, work on the IA Plan for 2022-23 was on target.

- 7.2 The committee noted the report.

23/1/8 Control Environment for an outstanding college: best practice review of cash & till processes

8.1 The EDF presented the self-assessment of cash handling and till management processes against best practice advice provided by Internal Audit and other sources. This area had been selected for the second self-assessment exercise because inconsistency and loose controls of cash holding could give rise to a fraud risk. The college was also keen to reduce its cash handling by consistent implementation of card transactions so the exercise was an opportunity to ensure that electronic point of sale processes were efficient and consistent.

8.2 Members considered the report and the main issues discussed were as follows.

Informality and inconsistent procedures, members asked if the exercise had revealed any actual fraud concerns. The EDF said that there were no specific fraud concerns identified but the tighter controls put in place as a result of the self-assessment would make fraud more difficult and easier to spot.

Obstacles to improvement, the EDF said that at the start of the process most of the staff thought that current procedures were adequate and well-understood. They adapted or worked around differences between practice at different till points or campuses. Many staff handle cash so there were a lot of people who needed to be convinced of the benefits of the exercise and trained once improved practices agreed or new equipment installed. Staff turnover had added to the time taken to ensure that all staff were fully trained

Efficiency savings, previously some card readers were not linked to the till so the operator had to re-enter the amount manually into the card reader. Investing in new equipment had improved service because the amount was automatically transferred to the card reader and reduced the chance of errors. There was still work to do in The Silver Plate but otherwise all till points were now compliant with best practice.

8.3 The committee noted the report and welcomed the assurance provided on stronger controls, service improvements and time saved. Members looked forward to receiving the next review relating to improving and quality assuring data quality.

ACTION: preparation of self-assessment report on the attendance data quality improvement project. ED SSI 5/7/23

23/1/9 Conflict of Interest Policy

9.1 The Governance Advisor and Clerk presented the periodic review of the Conflict of Interest policy. As a result of a review against latest advice on best practice, the following changes were proposed:

- Declaration of connected people by default instead of only where a conflict was identified
- Publication of the summary register on the college website
- Inclusion of procedures for any member of staff to declare a conflict where they were involved in making an admission or assessment decision about a close relative or similar.

- 9.2 The committee supported the proposals to increase transparency and the main issues discussed were:

Definition of Connected People, a member asked if the definition was sufficiently broad to cover all situations where there might be a perception of undue influence in decision making. The External Auditor said that the definition of closely connected people used in the document did reflect the wording of relevant guidance on Related Party Transactions. It would probably be helpful for the policy to include more guidance on identifying “perceived” conflicts of loyalty.

Managing conflicts, the guidance is clear on how the board manages financial interests and when a member should withdraw from a decision but it was also important to set out how the board considers interests where it is less clear cut, where there is a perception of conflict and it is not automatic that a member would withdraw.

- 9.3 The committee recommended approval to Governing Body of the Conflict of Interest Policy subject to addition of a section on Conflicts of Loyalty and how GB and committees manage these disclosures. The committee also agreed the following.

ACTIONS

Provide the Clerk with information on conflicts of loyalty policy wording.	External Auditor	24/3/23
Arrange training for members on identifying interests and Clerk and GB/Committee chairs in managing conflicts.	Clerk	5/7/23

(Internal Audit Senior Manager and External Auditor left the meeting at 09.45)

23/1/10 Re-appointment of External Auditors

- 10.1 The EDF presented the report, reminding members that MacIntyre Hudson LLP had been appointed in March 2022 on a three year contract subject to annual review and re-appointment. The experience of the first year of working with MHA had been very good. External Audit staff had adhered to the deadlines for delivering stages of the audit and the final audit and given clear updates on their information needs and the provision of information by the college. The financial statements’ audit had been delivered within the fees quoted in the tender process and their staff were supportive of the college’s efforts to make processes more efficient and effective.
- 10.2 The committee recommended approval to Governing Body of the re-appointment of MacIntyre Hudson LLP as External Auditor for the 2022-23 financial statements’ audit.

23/1/11 Appointment of Internal Audit Service

- 11.1 The EDF presented the report, reminding members that RSM had been appointed in March 2018, initially on a three year contract, which was

subsequently extended to five years. The tender process had used a public procurement framework under which suppliers were pre-approved as preferred suppliers under agreed terms and conditions. The EDF had reviewed the services and prices on the latest current framework and recommended that RSM continued to offer good value for money for a high quality service with lots of value added.

11.2 The committee considered the proposal and discussed the value for money proposition offered by RSM in the context of the expertise of the team that worked with the college. Members were keen to retain the current Internal Audit Team although a member asked if there was any limitation on the amount of time that a lead partner could work with the same client. It was noted that the ACOP regulations on re-tendering external audit services at least every five years did not apply to internal audit.

11.3 The committee agreed to recommend approval to Governing Body of the re-appointment of RSM as supplier of the college's internal audit services for a further three year period.

ACTION

Check if there were any proposed changes to the IA Team and if there are any restrictions on the period of time an audit partner may work with the same client for Internal Audit.

EDF

29/3/23

23/1/12 Review of meeting and closing remarks

12.1 The members commented that it had been a highly effective meeting with another continuous improvement report that would improve service quality to students and staff as well as making cost savings. In addition, recommending approval of the college's assurance providers was a key responsibility of the committee. The input of the External Auditor on the impact of reclassification and the review of the Conflict of Interest Policy had been most useful.

23/1/13 Date and time of next meeting

5 July 2023, 08.30 – 10.30 in the New Boardroom, City Campus